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From: Kee, Lina [<mailto:LKee@seedco.org>]

Sent: Friday, May 07, 2010 7:57 PM

To: CDFIHELP

Subject: Comment on written statute by Seedco Financial Services, Inc.

Adobe Systems

Dear Mr. Berman:

On behalf of Seedco Financial Services, Inc. (Seedco Financial), a 501(c)(3) national Community Development Financial Institution (CDFI), I would like to thank you for the opportunity to submit comments on issues related to the statute of the Community Development Financial Institutions (CDFI) Fund, U.S. Department of the Treasury.

We would like to express our deep appreciation for the CDFI Fund's strong and continued support of CDFIs, such as Seedco Financial. Since 2000, Seedco Financial has received two Technical Assistance awards totaling \$95,000, five Financial Assistance awards totaling \$5.65 million and four New Market Tax Credit allocations totaling \$110 million, all of which have helped build and maintain its capacity as a CDFI[1]. The Fund's historic support has enabled us to expand our community development work in New York City, Louisiana, Alabama and Tennessee. This funding has contributed to the cumulative impact of the retention and/or creation of over 8,000 jobs.

Let me preface my remarks by stating our unwavering support for the principles outlined in Opportunity Finance Network's letter for comment to the Fund dated May 7th. To support these principles, Seedco Financial offers the following specific recommendations with regards to the Fund's statute:

1. Amend definitions of eligible target investment areas - While the statute authorizing the Fund contains clear definitions of "low-income" and "targeted population", eligibility criteria should be updated to reflect the effects of new economic realities resulting from the near-collapse of the financial and mortgage markets over the past two years. Seedco Financial recommends the following:

* Standardize definitions for consistency across federal agencies to facilitate efficient and effective delivery of services. At a minimum, the Fund should adopt the Community Reinvestment Act definition of target markets, which encompass low- and moderate-income communities, recognizing that banks are the primary source of capital for CDFIs.

* Broaden definitions to include use of acceptable alternative definitions with flexibility to consider place-based, individual/groups, industries/sectors or a combination thereof in the absence of readily available standards.

* Incorporate exceptions to definitions to allow for greater flexibility in serving areas when unforeseen economic disasters occur.

Such exceptions would allow CDFIs with demonstrated capacity to respond to quickly changing economic conditions and expand into affected areas and allow for maximum flexibility to provide immediate relief to help stabilize communities. Criteria used to define areas experiencing sudden economic distress could be modeled after the Economic Development Administration's Economic Adjustment Assistance program. They could include sudden changes in employment levels, a man-made or natural disaster, or the loss of a major industry or employer from a region.

2. Provide credit assistance to enhance liquidity

The Fund's statute created a Liquidity Enhancement Program that has not yet received an appropriation. CDFIs are in need of greater liquidity to help absorb loan losses. Although CDFIs are often well-positioned to respond quickly during an economic crisis, liquidity constraints hinder many of them from fully responding to market shifts.

Funding should be appropriated, but not diverted from the other programs operated by the Fund to facilitate liquidity and enhance access to the secondary market. However, the structure of the program should be modified to remove the dollar-for-dollar match requirement, award cap and specification that entities receiving assistance from this program be unable to access other financial or technical assistance from the CDFI Fund. The Fund could explore several options to provide liquidity to CDFIs including:

- Creation of a full or partial guarantee instrument for lenders and/or investors that purchase CDFI-originated assets,
- Creation of a full or partial guarantee instrument for third parties that make loans and investments into CDFIs,
- Establishment of a discount window, modeled after the Federal Deposit Insurance Corporation, to provide CDFIs with short-term liquidity, and
- Modifications to the Fund's authorized Small Business Capital Enhancement Program that has never received funding to provide for such funding directly to CDFIs or to a pool that CDFIs could access directly rather than to States.

3. Increase flexibility in the matching requirement

The statute states that match ``shall be at least comparable in form and value to assistance provided by the Fund''. The dollar-for-dollar matching of comparable funds significantly restricts the ability of CDFIs to apply for a Financial Assistance award, and should be modified to provide greater flexibility to CDFIs in meeting the match requirement.

The Fund was created to provide equity (non-recourse) capital - the most difficult type of capital for CDFIs to raise. CDFIs would derive significantly more benefit if all awards were made in the form most useful to the CDFI, regardless of match. Removing the restriction that the match be comparable "in form" would allow the Fund to make equity grants that CDFIs may match with loan capital - leveraging private-

sector investment while further facilitating the deployment of loan capital.

4. Establish a small business assistance program

In response to the Fund's request for additional program ideas better suited to the needs of America's small businesses, we propose the creation of a small business assistance program that would provide experienced CDFIs with the funding support to deliver specialized, hands-on business assistance to established, high growth potential small businesses that are still unable to access financing from conventional institutions. Often, more established small businesses face challenges around marketing, finance/accounting, management and/or operations. These entities require intensive, professional business assistance and advisory services beyond the current level and range of technical assistance services delivered through small business development organizations. We believe that funding should be appropriated, but not diverted from the other programs operated by the Fund, to this type of program.

By giving consideration to the aforementioned points, we believe that the Fund will help to grow and strengthen the CDFI industry.

We appreciate the opportunity to provide comment to the CDFI Fund's written statute. If we can provide further assistance, please do not hesitate to contact me at (212) 204-1301.

Sincerely,

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President

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[1] CDFI Fund FA and TA awards prior to 2006 were awarded to our parent organization, Structured Employment Economic Development Corporation (SEEDCO). Seedco Financial was established as a separate CDFI in 2005 and received certification in 2006. Our NMTC allocations are received through our community development entity, Empowerment Reinvestment Fund, LLC.